

GUAM COMMUNITY COLLEGE

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL**

SEPTEMBER 30, 1998



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Guam Community College:

We have audited the financial statements of the Guam Community College, a component unit of the Government of Guam, as of and for the year ended September 30, 1998, and have issued our report thereon dated September 14, 1999, which report was qualified due to the absence of reconciliations of fixed asset subsidiary ledgers to general ledger balances. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

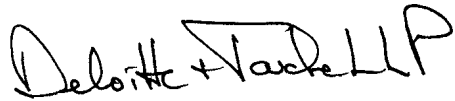
As part of obtaining reasonable assurance about whether Guam Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as item 98-1 through 98-2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Guam Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters in the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operations of the internal control over financial reporting that, in our judgement, could adversely affect the College's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 98-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information of the management and Board of Trustees of the Guam Community College, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Deloitte + Nauck LLP". The signature is written in a cursive, stylized font.

September 14, 1999



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE
TO EACH MAJOR FEDERAL AWARD PROGRAM**

Board of Trustees
Guam Community College:

Compliance

We have audited the compliance of the Guam Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 1998. Guam Community College's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs (pages 6 through 8). Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Guam Community College's management. Our responsibility is to express an opinion on Guam Community College's compliance based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Guam Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Guam Community College's compliance with those requirements.

As described in items 98-1 through 98-2 in the accompanying Schedule of Findings and Questioned Costs, the Guam Community College did not comply with requirements regarding indirect cost allocations and federal equipment standards. In our opinion, it is necessary that Guam Community College comply with requirements applicable to its federal programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Guam Community College complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 1998.

Internal Control Over Compliance

The management of Guam Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Guam Community College's internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

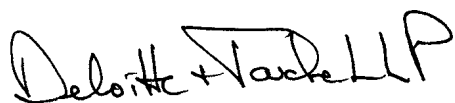
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Guam Community College's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 98-1 through 98-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However we believe none of the reportable conditions described above to be a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Guam Community College, as of and for the year ended September 30, 1998, and have issued our report thereon dated September 14, 1999, which report was qualified due to the absence of reconciliation of fixed asset subsidiary ledgers to general ledger balances. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. This schedule is the responsibility of the management of the Guam Community College. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, except for those matters set forth in our report dated September 14, 1999, is fairly stated, in all material respects when considered in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of the management and Board of Trustees of the Guam Community College, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Deloitte + Tatch LLP". The signature is stylized, with the "D" and "T" being particularly large and prominent.

September 14, 1999

GUAM COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 1998

<u>CFDA NO.</u>	<u>Federal Grantor/Program</u>	Accrued (Deferred) Balance at September <u>30, 1997</u>	<u>Expenditures</u>	Cash <u>Receipts</u>	<u>Adjustment</u>	Accrued (Deferred) Balance at September <u>30, 1998</u>
	U.S. Department of Education (DOE) (Direct Programs):					
84.002A	Adult Education - State Administration Basic Grant Program	\$ 38,968	298,322	(340,842)	29,164 ***	\$ 25,612
84.007	Federal Supplemental Education Opportunity Grants	(1,155)	17,220*	(14,271)	(2,179) ***	(385)
84.031A	Title III-Strengthening Institution Program	56,891	180,894	(208,096)	(19,262) ***	10,427
84.033	Federal Work-Study Program	5,552	83,541*	(61,363)	(2,682) ***	25,048
84.042A	Student Support Services	80,862	169,663	(181,103)	(54,333) ***	15,089
84.048A	Vocational Education - Basic Grants to States	160,512	357,763*	(491,185)	(10,886) ***	16,204
84.063	Federal Pell Grant Program	<u>26,867</u>	<u>532,407*</u>	<u>(532,019)</u>	<u>28,486</u> ***	<u>55,741</u>
	Total U.S. Department of Education (Direct Programs)	<u>368,497</u>	<u>1,639,810</u>	<u>(1,828,879)</u>	<u>(31,692)</u>	<u>147,736</u>
	Pass-through from:					
	Pacific Region Educational Laboratory:					
84.994S	Pacific Vocational Education Improvement and Pacific Vocational Education Teachers Academy Programs (Subgrant #V994S20001)	30,518	84,417	(159,778)	-	(44,843)**
N/A	University of Guam	(52,943)	7,394	-	-	(45,549)
93.575	Department of Public Health and Social Services	(152)	149	-	-	(3)**
84.998H	Various Department of Education Programs	131,712	152,952	(196,267)	-	88,397**
84.027A	Special Education	222,846	207,503 *	(325,327)	-	105,022**
84.029L	University of Guam	17,146	66,332	(69,963)	-	13,515**
83.516	Federal Emergency Management Agency:					
	Public Assistance Grants	81,083	128,827	(232,069)	55,573 ***	33,414
N/A	Department of Education:					
	School to Work Opportunities Act	-	19,159	(19,159)	-	-
N/A	Department of Public Works:					
	EMS Training Course '96	14,556	-	-	-	14,556**
	EMS Training Course '97	<u>8,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,500**</u>
	Total Pass-through grants	<u>453,266</u>	<u>666,733</u>	<u>(1,002,563)</u>	<u>55,573</u>	<u>173,009</u>
	Total Federal Assistance	\$ <u>821,763</u>	\$ <u>2,306,543</u>	\$ <u>(2,831,442)</u>	\$ <u>23,881</u>	\$ <u>320,745</u>

* Denotes a major program as defined by OMB Circular A-133.

** Recorded in restricted-other receivables in the financial statements.

*** The adjustments are the result of correcting the beginning balance of accounts receivable.

N/A The Guam Community College was not provided a CFDA # for these grants.

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

GUAM COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs Year Ended September 30, 1998

Part I - Summary of Auditors' Results

1. The Independent Auditors' Report on the financial statements expressed a qualified opinion.
2. Reportable conditions in internal control over financial reporting were identified, none of which are considered to be material weaknesses.
3. Instance of noncompliance considered material to the financial statements were disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified, none of which are considered to be material weaknesses.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed a qualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The College's major programs were:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
U.S. Department of Education - Student Financial Aid	84.007 84.033 84.063
U.S. Department of Education - Vocational Education	84.048A
U.S. Department of Education - Special Education	84.027A

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The College did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

Part II - Financial Statement Findings Section

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
98-2	Prior Year Findings	-

Part III - Federal Award Findings and Questioned Cost Section

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
98-1	Indirect Costs	\$ 12,548
98-2	Fixed Assets	-

GUAM COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria</u>	<u>Questioned Costs</u>
98-1	84.042A	Colleges and Universities are required to enter into agreements which enable the institutions to designate a stated percentage of expenditures as indirect costs, if indirect costs are to be actually claimed.	\$ 12,548

Condition

Indirect costs of \$12,548 were charged to federal grants without an indirect cost agreement.

Student Support Services	\$ 12,548
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Cause

The cause of this condition is unknown.

Effect

A questioned cost of \$12,548 exists.

Recommendation

The College should prepare and submit an indirect cost rate proposal (IDCRP) to the federal cognizant agency.

GUAM COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria</u>	<u>Questioned Costs</u>
98-2	All Programs	<p>A physical inventory of equipment should be performed bi-annually and the detailed property records should be reconciled to general ledger balances.</p> <p><u>Condition</u></p> <p>No such reconciliation of equipment was performed during fiscal years 1997 and 1998.</p> <p><u>Cause</u></p> <p>There appears to be a lack of property management policies and procedures to ensure that the physical inventory results are reconciled to the general ledger balances.</p> <p><u>Effect</u></p> <p>The opinion on the financial statements is modified because of this condition.</p> <p><u>Prior Year Status</u></p> <p>The lack of a reconciliation of physical inventory results has been reported as a finding since the 1991 audit.</p> <p><u>Recommendation</u></p> <p>GCC should establish and implement property management policies and procedures. A physical inventory of property should be conducted on a biannual basis and the results should be reconciled to the general ledger balances.</p>	\$ -

GUAM COMMUNITY COLLEGE

Resolution of Prior Years' Findings and Questioned Costs Year Ended September 30, 1998

The status of unresolved questioned costs from prior year Single Audit Reports is as follows:

Questioned Costs per the September 30, 1997, 1996, 1995 and 1990 audit reports	\$ 150,072
Questioned Costs per the September 30, 1998 audit report	12,548
Resolved questioned costs for 1995 and 1996 due to correspondence received from the U.S. Department of Education dated March 3, 2000	<u>(29,228)</u>
Total unresolved questioned costs as of September 30, 1998	\$ <u>133,392</u>

GUAM COMMUNITY COLLEGE

Schedule of Programs Selected for Audit in Accordance with OMB Circular A-133 Year Ended September 30, 1998

The following list specifies programs selected for compliance testing in accordance with applicable OMB Circular A-133 requirements.

Fiscal Year 1998

<u>CFDA Number</u>	<u>Grant Title</u>	<u>Expenditures</u>
84.007	Federal Supplemental Education Opportunity Grant	\$ 17,220
84.033	Federal Work - Study Program	83,541
84.063	Federal Pell Grant Program	532,407
84.027A	Special Education	207,503
84.048	Vocational Education - Basic Grants to States	<u>357,763</u>
	Total federal award expenditures tested	\$ <u>1,198,434</u>
	Total federal award expenditures	\$ <u>2,306,543</u>
	Percentage of total tested	<u>52%</u>

GUAM COMMUNITY COLLEGE

Reconciliation of Total Restricted and Unrestricted Expenditures
with Total Federal Award Expenditures
Year Ended September 30, 1998

Total expenditures per Schedule of Federal Awards	\$ 2,306,543
Other non-federal restricted fund expenditures and transfers	<u>2,044,359</u>
Total restricted and unrestricted fund expenditures	\$ <u>4,350,902</u>